

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

PURCHASED GAS ADJUSTMENT	)	
FILING OF LOUISVILLE GAS	)	CASE NO. 8284-E
AND ELECTRIC COMPANY	)	

O R D E R

On January 4, 1982, the Commission issued its Order in Case No. 8284, approving certain adjustments in rates and providing under certain conditions for the future adjustment of such rates when the wholesale cost of gas is increased or decreased.

On October 6, 1982, Louisville Gas and Electric Company ("LG&E") filed its notice with the Commission stating that it had received an increase from its supplier, Texas Gas Transmission Corporation ("Texas Gas").

An evidentiary hearing on this matter was held on October 24, 1982, at the Commission's offices in Frankfort, Kentucky. At this hearing, a representative of LG&E testified that it could not absorb the \$19.1 million in additional gas costs without being forced into bankruptcy. A representative of LG&E also testified regarding its overall gas procurement policy and emphasized that the small amount of unregulated high priced gas that it purchased in the past 2 years was procured to insure a more reliable gas supply for its customers.

After reviewing the notice filed in this case and being advised, the Commission is of the opinion and finds that:

(1) This is another one of those federally-mandated pass-throughs of higher gas prices in which upon the record this Commission has no discretion. The evidence presented at the hearing establishes that LG&E will not realize even one cent of profit but simply will turn over to its suppliers the increased amounts which it must collect from its consumers.

(2) The effect of this Texas Gas rate filing, as applied to LG&E's purchased gas costs for the 12 months ended August 13, 1982, is an increase of \$19,182,587. Of this total increase, \$580,094 is applicable to gas used as Electric Department fuel, leaving \$18,602,293 applicable to LG&E's Gas Department. The increase results in a purchased gas adjustment of 33.48 cents per Mcf, or 3.348 cents per 100 cubic feet.

(3) The Public Service Commission is being asked to authorize a pass-through of a price increase already approved by FERC. Failure to allow this increase to be passed through to its retail consumers on a timely basis would be unfair and unjust to LG&E and would ultimately result in higher rates to its consumers. The Commission has (in writing) indicated its opposition to be procedures and regulations used by FERC since 1975 to approve these supplier increases.

We are also actively presenting our views to FERC and to our Kentucky Congressional delegation concerning revisions to the Natural Gas Policy Act of 1978, which allows gas suppliers to raise their gas prices without regard to costs. Because of Natural Gas Policy Act formulas allowing producers to so raise their prices and because of the action of FERC in allowing such increases to pass through to the transmission company and through it to the distributing company, in this case LG&E, this Commission has no real authority in the matter. Under federal law and actions, this Commission serves merely as the conduit for the final pass-through of the increased cost of gas to the consumers when, as here, the distributing utility makes no profit from the increased prices which it must pay for gas purchased from the transmission company.

(4) On October 1, 1982, LG&E's supplier filed with FERC increased rates to become effective November 1, 1982.

(5) The proposed rate will allow LG&E to recover only the increased cost of wholesale gas and will not permit it to make any profit in doing so. The magnitude of this filing exposes LG&E to substantial under-recovery of its gas costs if the rates are not implemented in a timely manner.

(6) The Commission should waive its policy of requiring evidence of FERC acceptance in this case and allow LG&E to place into effect, subject to refund, the rates in Finding (9).

(7) LG&E's adjustment in rates under the purchased gas adjustment provisions authorized by the Commission in its Order in Case No. 8284, dated January 4, 1982, is fair, just and reasonable and in the public interest and should be effective with gas supplied on and after November 1, 1982, subject to refund.

(8) An increase of 33.48 cents per Mcf in LG&E's purchased gas adjustment is proper to give effect to the Texas Gas rate increase.

(9) The purchased gas adjustment of LG&E should be adjusted to the following, effective November 1, 1982:

PGA corresponding to Base Supplier Rate	12.282¢
Refund Factor effective September 1, 1981, and continuing for 12 months or until Company has discharged its refund obligation from Case No. 7799-D	(.670)
Refund Factor effective December 1, 1981, and continuing for 12 months or until Company has discharged its refund obligation from Case No. 7799-E	<u>(.074)</u>
Total Adjustment Per 100 Cubic Feet	11.538¢

IT IS THEREFORE ORDERED that the purchased gas adjustment sought by LG&E and in Finding (9) above be and it hereby is authorized to be effective, subject to refund, with gas supplied on and after November 1, 1982.

IT IS FURTHER ORDERED that LG&E shall maintain its records in such manner as will enable it, any of its customers, or the Commission to determine the amount to be refunded and to whom due in the event a refund is ordered by the Commission.

IT IS FURTHER ORDERED that within 30 days after the date of this Order, LG&E shall file with the Commission its revised tariff sheets setting out the rates authorized herein.

IT IS FURTHER ORDERED that for the purpose of the future application of the purchased gas adjustment clause of LG&E the base rate for purchased gas shall be:

	<u>Monthly Demand Charge</u>	<u>Commodity Charge</u>
Texas Gas Transmission Corporation		
Rate G-4	\$7.82	368.43¢

Done at Frankfort, Kentucky, this 5th day of November, 1982.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ATTEST:

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Secretary